GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:916
ANSWERED ON:29.07.2005
MERGER OF BANKS
Reddy Shri Karunakara G.

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has come out with guidelines on mergers and amalgamations between private sector banks and non-banking finance companies (NBFCs);

(b) if so, the areas and the guidelines thereof;

(c) whether the RBI has examined the issue of smooth flow of bank finance to NBFCs; and

(d) if so, the extent to which it would be helpful for private sector banks and non-banking finance companies (NBFCs)?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (d) : Reserve Bank of India has issued guidelines on merger and amalgamation between private sector banks and with NBFCs on 11th May, 2005, which are available on RBI website www.rbi.org.in/notifcation. The guidelines emphasise that while amalgamation are normally decided on business considerations such as the need for increasing the market shares, synergies in the operations of businesses, acquisition of a business unit or segment etc. it is essential that consideration like sound rationale for the amalgamation, the systemic benefits and the advantage accruing to the residual entity are evaluated in detail. The guidelines also provide that in case of amalgamation of NBFC with a banking company, the Board of Directors of the banking company should also examine the credit facilities availed by NBFC from banks/FIs.